

CITY OF HUXLEY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

Table of Contents

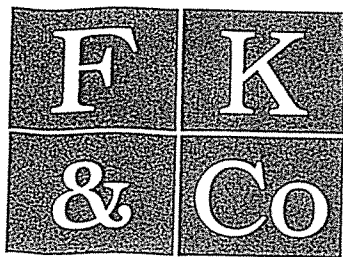
	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 16
Notes to Financial Statements	17-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	29
Notes to Other Information - Budgetary Reporting	30
Schedule of the City's Proportionate Share of the Net Pension Liability	31
Schedule of City Contributions	32
Notes to Other Information - Pension Liability	33
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 35
Schedule of Indebtedness	2 36
Bond and Note Maturities	3 37
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Schedule of Findings	41-47

City of Huxley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2016)		
Craig Henry	Mayor	Jan 16
David Kuhn	Mayor Pro Tem	Jan 18
Mike Schonhorst	Council Member	Jan 16
Tracey Roberts	Council Member	Jan 16
Kevin Deaton	Council Member	Jan 18
Craig Hemmen	Council Member	Jan 18
John Haldeman	City Administrator	Sep 13, 2016
Amy Beattie	Attorney	Indefinite
Jolene Lettow	City Clerk	Indefinite
Jeremy Arends	City Treasurer	Indefinite
Greg Roth	City Engineer	Indefinite
(After January, 2016)		
Craig Henry	Mayor	Jan 18
David Kuhn	Mayor Pro Tem	Jan 18
Tracey Roberts	Council Member	Jan 20
Dave Jensen	Council Member	Jan 20
Kevin Deaton	Council Member	Jan 18
Craig Hemmen	Council Member	Jan 18
John Haldeman	City Administrator	Sep 13, 2016
Amy Beattie	Attorney	Indefinite
Jolene Lettow	City Clerk	Indefinite
Jeremy Arends	City Treasurer	Indefinite
Greg Roth	City Engineer	Indefinite

City of Huxley



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, (City) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

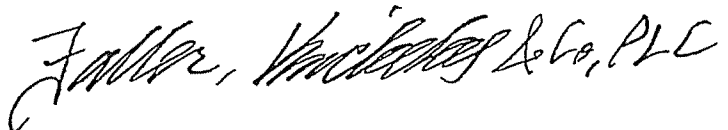
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 29 through 33 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Huxley (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 59.3%, or approximately \$3,442,000 from fiscal year 2015 to fiscal year 2016. Bond and note proceeds increased by \$3,778,000 due to refinancing of outstanding debt in fiscal year 2016 and the issuance of new debt.
- Disbursements of the City's governmental activities increased by 63.9%, or approximately \$3,306,000, in fiscal year 2016 from fiscal year 2015. Capital project disbursements increased \$2,717,000, due to the completion of several major capital projects in fiscal year 2016. In addition, debt service disbursements increased approximately \$302,000 due to an increase in the debt payments in fiscal year 2016.
- The City's total cash basis net position increased 13.4%, or approximately \$935,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$826,000 and the cash basis net position of the business type activities increased approximately \$109,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system and the sewer system and the meter deposits. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water Fund and the Sewer Fund, considered to be major funds of the City and the Meter Deposit Fund, considered to be a nonmajor fund of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$5.908 million to approximately \$6.734 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 545	145
Operating grants, contributions and restricted interest	788	948
Capital grants, contributions and restricted interest	10	135
General receipts:		
Property tax	1,039	3,152
Tax increment financing	2,236	-
Other city tax	132	483
Local option sales tax	403	-
Commercial/industrial tax replacement	40	-
Unrestricted interest on investments	30	61
Rent	31	-
Proceeds of general obligation notes	430	-
Proceeds of general obligation bonds	3,348	-
Sale of capital assets	132	749
Miscellaneous	80	129
Total receipts	9,244	5,802
Disbursements:		
Public safety	800	636
Public works	368	335
Health and social services	14	13
Culture and recreation	525	484
Community and economic development	502	477
General government	359	336
Debt service	2,324	2,022
Capital projects	3,585	868
Total disbursements	8,477	5,171
Change in cash basis net position before transfers	767	631
Transfers, net	59	(72)
Change in cash basis net position	826	559
Cash basis net position beginning of year	5,908	5,349
Cash basis net position end of year	\$ 6,734	5,908

The City's total receipts for governmental activities increased 59.3%, or approximately \$3,442,000. The total cost of all programs and services increased approximately \$3,306,000, or 63.9%, with no new programs added this year. The increase in receipts was the result of bond proceeds received in fiscal year 2016. The increase in program costs was the result of a payment of approximately \$2,717,000 increase in capital project costs.

The City maintained a slight increase in the property tax dollar request for fiscal year 2016. Property tax receipts increased by approximately \$123,000 in fiscal year 2016. Property tax receipts are budgeted to increase an additional \$64,000 next year.

The cost of all governmental activities this year was approximately \$8.477 million compared to approximately \$5.171 million last year. However, as shown on the Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was \$7.13 million because some of the cost was paid by those directly benefited from the programs (approximately \$545,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$797,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$1,228,000 to approximately \$1,343,000, principally due to increased charges for services in fiscal year 2016 compared to fiscal year 2015.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 631	651
Sewer	665	625
Meter deposits	24	-
General receipts:		
Miscellaneous	87	127
Total receipts	<u>1,407</u>	<u>1,403</u>
Disbursements:		
Water	633	587
Sewer	586	781
Meter deposits	20	13
Total disbursements	<u>1,239</u>	<u>1,381</u>
Change in cash basis net position before transfers	168	22
Transfers, net	<u>(59)</u>	<u>72</u>
Change in cash basis net position	109	94
Cash basis net position beginning of year	<u>1,082</u>	<u>988</u>
Cash basis net position end of year	<u>\$ 1,191</u>	<u>1,082</u>

Total business type activities receipts for the fiscal year were approximately \$1.407 million compared to approximately \$1.403 million last year. The increase was primarily due to an increase in charges for services receipts. The cash balance increased approximately \$109,000 from the prior year due to a decrease in costs. Total disbursements for the fiscal year decreased 10.3% to approximately \$1,239,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$6,733,896, an increase of more than \$825,000 above last year's total of \$5,907,912. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$389,409 from the prior year to \$1,843,102. The City is attempting to maintain the General Fund on a status quo basis from year to year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased by \$23,413 from the prior year to \$45,025. The City only requests an amount each year equal to the approximate amount due for the succeeding year. As a result, the balance in this fund should remain at a minimal amount on June 30.
- The Debt Service Fund cash balance increased by \$3,326,722 from the prior year to \$3,400,977. Bankers Trust is holding \$3,321,917 in escrow to pay off bonds which are callable on June 1, 2017.
- The Capital Projects Fund cash balance decreased by \$2,971,071 to \$855,881. The City completed several major capital projects in fiscal year 2016 which significantly decreased the balance in this fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$16,187 to \$646,453. This increase was due to decreased costs in fiscal year 2016.
- The Enterprise, Sewer Fund cash balance increased by \$89,275 to \$495,549. This increase was due to increased receipts in fiscal year 2016.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time.

The City's receipts were \$2,318,585 less than budgeted. This was primarily due to the City receiving less miscellaneous receipts than anticipated.

The City's disbursements were \$1,112,888 less than budgeted. Disbursements in the community and economic development and the capital projects functions were \$599,812 and \$415,015 less than the amended budget amounts.

The City exceeded the amounts budgeted in the public safety and debt service functions for the year ended June 30, 2016.

The original budget for fiscal year 2016 was approved by the City Council on March 10, 2015, and later amended on May 24, 2016. The budget amendment was primarily necessitated because of capital improvement projects.

DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$24,793,000 in bonds and other long-term debt outstanding, compared to approximately \$22,792,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation bonds and notes	\$ 9,051	19,800
Annual appropriation general obligation bonds and notes	12,940	-
Revenue bonds	2,802	2,992
Total	\$ 24,793	22,792

Debt increased due to the addition of new debt in fiscal year 2016.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9,051,000 is significantly below its constitutional debt limit of \$11,255,601. Additional information about the City's long-term debt is presented in Note 3 to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Huxley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016-17 budget.

These indicators were taken into account when adopting the budget for fiscal year 2017. Based on the tax rate of \$11.85000 per \$1,000 of taxable valuation, the City expects to generate \$1,103,094 in property tax receipts for fiscal year 2017. Receipts from all funds, including Enterprise Funds, are anticipated to be \$9,604,075.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Haldeman, City Administrator, 515 N. Main, Huxley, IA 50124.

Basic Financial Statements

City of Huxley

Cash Basis Statement of Activities and Net Position

Exhibit A

As of and for the year ended June 30, 2016

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 800,306	96,369	241,920	7,604	(454,413)	-	(454,413)
Public works	367,662	-	423,924	-	56,262	-	56,262
Health and social services	13,888	-	-	-	(13,888)	-	(13,888)
Culture and recreation	524,999	168,492	61,983	-	(294,524)	-	(294,524)
Community and economic development	501,735	-	29,792	-	(471,943)	-	(471,943)
General government	358,872	280,338	1,055	-	(77,479)	-	(77,479)
Debt service	2,324,252	-	-	2,010	(2,322,242)	-	(2,322,242)
Capital projects	3,584,895	-	28,860	-	(3,556,035)	-	(3,556,035)
Total governmental activities	8,476,609	545,199	787,534	9,614	(7,134,262)	-	(7,134,262)
Business type activities:							
Water	633,099	631,256	-	-	-	(1,843)	(1,843)
Sewer	586,388	665,663	-	-	-	79,275	79,275
Meter deposits	20,025	23,760	-	-	-	3,735	3,735
Total business type activities	1,239,512	1,320,679	-	-	-	81,167	81,167
Total	\$ 9,716,121	1,865,878	787,534	9,614	(7,134,262)	81,167	(7,053,095)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					535,251	-	535,251
Debt service					503,368	-	503,368
Tax increment financing					2,235,743	-	2,235,743
Other city tax					132,258	-	132,258
Local option sales tax					403,054	-	403,054
Commercial/industrial tax replacement					39,765	-	39,765
Unrestricted interest on investments					30,315	-	30,315
Rent					31,384	-	31,384
Proceeds of general obligation notes					430,000	-	430,000
Proceeds of general obligation bonds, net of \$33,012 premium					3,348,012	-	3,348,012
Miscellaneous					80,053	87,073	167,126
Sale of capital assets					132,000	-	132,000
Transfers					59,043	(59,043)	-
Total general receipts and transfers					7,960,246	28,030	7,988,276
Change in cash basis net position					825,984	109,197	935,181
Cash basis net position beginning of year					5,907,912	1,081,790	6,989,702
Cash basis net position end of year					\$ 6,733,896	1,190,987	7,924,883
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 578,727	-	578,727
Urban renewal purposes					45,025	-	45,025
Debt service					3,400,977	299,559	3,700,536
Capital projects					855,881	-	855,881
Other purposes					10,184	48,985	59,169
Unrestricted					1,843,102	842,443	2,685,545
Total cash basis net position					\$ 6,733,896	1,190,987	7,924,883

See notes to financial statements.

City of Huxley

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue		Debt Service	Capital Projects	Nonmajor	Total
	General	Urban Renewal Tax Increment				
Receipts:						
Property tax	\$ 517,934	-	495,351	-	-	1,013,285
Tax increment financing	-	2,235,743	-	-	-	2,235,743
Other city tax	552,629	-	8,017	-	-	560,646
Licenses and permits	127,772	-	-	-	-	127,772
Use of money and property	66,737	-	2,010	-	-	68,747
Intergovernmental	427,189	-	12,584	-	409,912	849,685
Charges for service	255,184	-	-	-	-	255,184
Special assessments	1,911	-	-	-	-	1,911
Miscellaneous	160,772	6,000	-	39,781	14,012	220,565
Total receipts	2,110,128	2,241,743	517,962	39,781	423,924	5,333,538
Disbursements:						
Operating:						
Public safety	800,306	-	-	-	-	800,306
Public works	83,737	-	-	-	283,925	367,662
Health and social services	13,888	-	-	-	-	13,888
Culture and recreation	524,999	-	-	-	-	524,999
Community and economic development	156,917	332,330	-	-	12,488	501,735
General government	358,872	-	-	-	-	358,872
Debt service	-	-	2,324,252	-	-	2,324,252
Capital projects	-	-	-	3,584,895	-	3,584,895
Total disbursements	1,938,719	332,330	2,324,252	3,584,895	296,413	8,476,609
Excess (deficiency) of receipts over (under) disbursements	171,409	1,909,413	(1,806,290)	(3,545,114)	127,511	(3,143,071)
Other financing sources (uses):						
Proceeds of general obligation notes	70,000	-	-	360,000	-	430,000
Proceeds of general obligation bonds, net of \$33,012 premium	-	-	3,348,012	-	-	3,348,012
Sale of capital assets	132,000	-	-	-	-	132,000
Transfers in	86,000	-	1,785,000	214,043	400,000	2,485,043
Transfers out	(70,000)	(1,886,000)	-	-	(470,000)	(2,426,000)
Total other financing sources (uses)	218,000	(1,886,000)	5,133,012	574,043	(70,000)	3,969,055
Change in cash balances	389,409	23,413	3,326,722	(2,971,071)	57,511	825,984
Cash balances beginning of year, as restated	1,453,693	21,612	74,255	3,826,952	531,400	5,907,912
Cash balances end of year	\$ 1,843,102	45,025	3,400,977	855,881	588,911	6,733,896
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	-	-	-	578,727	578,727
Urban renewal purposes	-	45,025	-	-	-	45,025
Debt service	-	-	3,400,977	-	-	3,400,977
Capital projects	-	-	-	855,881	-	855,881
Other purposes	-	-	-	-	10,184	10,184
Assigned	2,002	-	-	-	-	2,002
Unassigned	1,841,100	-	-	-	-	1,841,100
Total cash basis fund balances	\$ 1,843,102	45,025	3,400,977	855,881	588,911	6,733,896

See notes to financial statements.

City of Huxley

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise			
	Water	Sewer	Nonmajor - Meter Deposits	Total
Operating receipts:				
Licenses and permits	\$ 28,500	24,510	-	53,010
Charges for service	602,756	641,153	-	1,243,909
Miscellaneous	-	-	23,760	23,760
Total operating receipts	631,256	665,663	23,760	1,320,679
Operating disbursements:				
Business type activities	430,275	386,913	20,025	837,213
Total operating disbursements	430,275	386,913	20,025	837,213
Excess of operating receipts over operating disbursements	200,981	278,750	3,735	483,466
Non-operating receipts (disbursements):				
Miscellaneous	18,030	69,043	-	87,073
Debt service	(117,248)	(147,875)	-	(265,123)
Capital projects	(85,576)	(51,600)	-	(137,176)
Net non-operating receipts (disbursements)	(184,794)	(130,432)	-	(315,226)
Excess of receipts over disbursements	16,187	148,318	3,735	168,240
Other financing sources (uses):				
Transfers out	-	(59,043)	-	(59,043)
Total other financing sources (uses)	-	(59,043)	-	(59,043)
Change in cash balances	16,187	89,275	3,735	109,197
Cash balances beginning of year	630,266	406,274	45,250	1,081,790
Cash balances end of year	\$ 646,453	495,549	48,985	1,190,987
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 174,571	124,988	-	299,559
Meter deposits	-	-	48,985	48,985
Unrestricted	471,882	370,561	-	842,443
Total cash basis fund balances	\$ 646,453	495,549	48,985	1,190,987

See notes to financial statements.

City of Huxley

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Huxley (City) is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Huxley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board and the Story County Emergency Management Commission. Additionally, the City has a Chapter 28E agreement with the Ballard Community School District to operate the 3C's Community Center.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds. A combining schedule is also provided for the General Fund accounts.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and capital projects functions prior to the May 2016 budget amendment. At June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

(2) Cash and Pooled Investments

Because the City's depository resolution did not include one bank, and the depository resolution amount at another bank was deficient, it is unclear if the City's deposits in banks at June 30, 2016, and at other times during the year, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the City had the following investments:

	Carrying Amount	Fair Value	Maturity Date
U.S. EE Savings Bonds	\$ 12,100	18,644	January, 2023
U.S. Treasury Notes	3,321,917	3,321,917	June, 2017

At June 30, 2016, an escrow agent held the \$3,321,917 in U.S. Treasury notes which mature in June 2017.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. EE Savings Bonds and the U.S. Treasury Notes were determined using quoted market prices. (Level 1 inputs)

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, annual appropriation general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Annual Appropriation General Obligation Bonds and Notes	
	Principal	Interest	Principal	Interest
2017	\$ 2,387,500	291,717	2,460,000	536,803
2018	250,000	185,027	1,405,000	440,160
2019	502,500	179,932	1,370,000	392,275
2020	515,000	169,785	1,425,000	341,685
2021	518,000	148,473	1,500,000	286,377
2022-2026	3,733,000	469,447	4,780,000	552,742
2027-2031	1,145,000	121,532	-	-
2032-2036	-	-	-	-
2037-2039	-	-	-	-
	<u>\$ 9,051,000</u>	<u>1,565,913</u>	<u>12,940,000</u>	<u>2,550,042</u>

Year Ending June 30,	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2017	\$ 195,000	68,503	5,042,500	897,023
2018	195,000	65,961	1,850,000	691,148
2019	195,000	62,978	2,067,500	635,185
2020	195,000	59,995	2,135,000	571,465
2021	205,000	55,920	2,223,000	490,770
2022-2026	562,000	226,410	9,075,000	1,248,599
2027-2031	422,000	163,760	1,567,000	285,292
2032-2036	496,000	96,150	496,000	96,150
2037-2039	337,000	20,430	337,000	20,430
	<u>\$ 2,802,000</u>	<u>820,107</u>	<u>24,793,000</u>	<u>4,936,062</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$255,603 of general obligation bond principal and interest was paid from the Enterprise, Sewer Fund during the year ended June 30, 2016. This was subsequently corrected for financial statement purposes.

General Obligation Refunding Bonds, Series 2016

In April, 2016, the City issued \$3,315,000 of general obligation refunding bonds, Series 2016. The bonds were issued for the crossover advance refunding of \$2,145,000 of general obligation corporate purpose bonds, Series 2010C dated June 9, 2010, and a crossover advance refunding of \$1,110,000 from an issue of \$6,295,000 of annual appropriation general obligation corporate purpose bonds, Series 2010D dated June 30, 2010. The bonds will be called on June 1, 2017.

The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation corporate purpose bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next eleven years by \$266,600 and resulted in an economic gain of \$265,062.

Annual Appropriation General Obligation Bonds and Notes

The future principal and interest payment amounts identified in the annual appropriation general obligation bonds and notes column are based on the assumption that the City will appropriate funds every year to meet the above obligations. However, if the City does not appropriate funds for a year, the City's obligations in relation to the bonds and notes principal and interest shall terminate and become null and void on the last day of the fiscal year for which the necessary funds were appropriated.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$7,255,000 in sewer revenue bonds issued in August 2009 and April 2013. The bonds are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payment on the bonds are expected to require less than 52% of net receipts. The total principal and interest remaining to be paid on the bonds issued in August, 2009 and April, 2013 is \$2,908,877. For the current year, principal and interest paid and total customer net receipts were \$143,295 and \$278,750, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$985,000 in water revenue bonds issued in April 2013. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payment on the bonds are expected to require less than 59% of net receipts. The total principal and interest remaining to be paid on the bonds issued in April, 2013 is \$713,230. For the current year, principal and interest paid and total customer net receipts were \$117,248 and \$200,981, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a wastewater revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) Reserve accounts of \$90,565 and \$98,500 are required to be maintained in the Enterprise, Sewer Fund and the Enterprise, Water Fund, respectively.
- (e) All users of the system, including the City, are required to be charged for service.
- (f) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The City did not properly fund the sewer revenue bond and interest sinking account in the Enterprise, Sewer Fund as required. The City also did not maintain reserve accounts in the Enterprise, Sewer Fund and the Enterprise, Water Fund, as required by the bond resolutions. In addition, an instance was noted where a user of the system was not charged for water service.

(4) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of pay and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$97,197.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$530,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0107417%, which was an increase of 0.000608% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows and deferred inflows totaled \$56,328, \$137,517 and \$181,214, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 1,082,420	530,694	65,193

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, spouses and their dependents. There are 19 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you go basis. The most recent active member monthly premiums for the City and the plan members are \$407 for single coverage, \$814 for employee/spouse coverage, \$774 for employee/dependent coverage, and \$1,221 for family coverage. For the year ended June 30, 2016, the City contributed \$191,176 and plan members eligible for benefits contributed \$43,360 to the plan.

(6) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings and infrastructure. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The related low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families.

The City rebated \$307,274 to the developers during fiscal year 2016. The outstanding balance of the agreements at June 30, 2016 subject to annual appropriation was \$15,844,206.

The agreements are not a general obligation of the City. In addition, the agreements are not subject to the constitutional debt limitation of the City because these agreements are subject to annual appropriation by the City Council.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2016, was \$152,503. The liability has been computed based on rates of pay in effect at June 30, 2016.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 61,000
	Low to Moderate Income	25,000
		<u>86,000</u>
Special Revenue:	Special Revenue:	
Low to Moderate Income	Urban Renewal Tax Increment	<u>400,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	1,340,000
	Low to Moderate Income	445,000
		<u>1,785,000</u>
Capital Projects	General	70,000
	Special Revenue:	
	Urban Renewal Tax Increment	85,000
	Enterprise:	
	Sewer	59,043
		<u>214,043</u>
	Total	<u>\$ 2,485,043</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Tower Lease

The City is leasing antenna space on the water tower to Iowa RSA 10 General Partnership (tenant). The initial term of the lease began in the year 2000. The City received \$21,304 from this lease in fiscal year 2016, which will increase by 2% per year until February, 2021, with an additional (5) year renewal option. As long as this lease is in effect, the base rent for this lease will be increased by 2% over the previous year's base rent. Unless the tenant decides to terminate the lease, the City has to continue to lease the antenna space to the tenant until fiscal year 2026.

(10) 28E Agreements

In July, 2014, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers, and operates the system as well as determines the amount of current and future debt required to operate the system. The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2034 unless both parties agree to terminate. The City of Huxley's share is determined based on a ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants of the system. The City's share is presently 3.36% of the total. The City's payment for the year ended June 30, 2016 was \$30,184.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate. Ballard Community School District reimbursed the City of Huxley \$146,456 under this agreement in the year ended June 30, 2016.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Contingencies

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(13) Commitments

The City sold some residential lots to a developer in fiscal year 2016, with \$64,000 remaining to be paid to the City on these lots as of June 30, 2016. The developer is required to build houses on these lots, and is required to reimburse the City for these lots at the time the developer sells the house and lot.

In fiscal year 2016, the City sold additional lots to individuals for \$62,000. It is anticipated these monies will be collected in fiscal year 2017.

The City has entered into various agreements for sewer and a trail project construction. As of June 30, 2016, approximately \$319,000 remains to be paid on these projects. These costs will be paid for as work progresses. It is anticipated that these projects will be completed in fiscal year 2017. The City intends to pay for these costs from existing cash reserves.

(14) Subsequent Events

The City has evaluated all subsequent events through December 7, 2016, the date the financial statements were available to be issued.

(15) Accounting Restatement

The beginning cash balances were restated to reflect the proper balances and the proper classification between accounts and funds. The restatements are as follows:

	Balances at July 1, 2015, as previously reported	Restatements	Balances at July 1, 2015, as restated
General Fund	663,878	789,815	1,453,693
Special Revenue Funds:			
Regency Development	789,815	(789,815)	-

(16) New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Huxley

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,013,285	-	1,013,285	1,016,083	1,016,083	(2,798)
Tax increment financing	2,235,743	-	2,235,743	2,218,000	2,218,000	17,743
Other city tax	560,646	-	560,646	478,570	478,570	82,076
Licenses and permits	127,772	53,010	180,782	52,575	52,575	128,207
Use of money and property	68,747	-	68,747	40,500	40,500	28,247
Intergovernmental	849,685	-	849,685	660,500	660,500	189,185
Charges for service	255,184	1,243,909	1,499,093	1,369,987	1,369,987	129,106
Special assessments	1,911	-	1,911	-	-	1,911
Miscellaneous	220,565	110,833	331,398	3,149,700	3,223,660	(2,892,262)
Total receipts	5,333,538	1,407,752	6,741,290	8,985,915	9,059,875	(2,318,585)
Disbursements:						
Public safety	800,306	-	800,306	639,163	695,383	(104,923)
Public works	367,662	-	367,662	403,175	428,175	60,513
Health and social services	13,888	-	13,888	15,225	20,025	6,137
Culture and recreation	524,999	-	524,999	505,025	543,125	18,126
Community and economic development	501,735	-	501,735	946,947	1,101,547	599,812
General government	358,872	-	358,872	362,050	371,650	12,778
Debt service	2,324,252	-	2,324,252	2,009,166	2,066,366	(257,886)
Capital projects	3,584,895	-	3,584,895	2,500,000	4,000,000	415,105
Business type activities	-	1,239,512	1,239,512	1,440,738	1,602,738	363,226
Total disbursements	8,476,609	1,239,512	9,716,121	8,821,489	10,829,009	1,112,888
Excess (deficiency) of receipts over (under) disbursements	(3,143,071)	168,240	(2,974,831)	164,426	(1,769,134)	(1,205,697)
Other financing sources, net	3,969,055	(59,043)	3,910,012	-	712,127	3,197,885
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	825,984	109,197	935,181	164,426	(1,057,007)	1,992,188
Balances beginning of year	5,907,912	1,081,790	6,989,702	3,813,989	-	6,989,702
Balances end of year	\$ 6,733,896	1,190,987	7,924,883	3,978,415	(1,057,007)	8,981,890

See accompanying independent auditor's report.

City of Huxley

Notes to Other Information - Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,007,520. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and the capital projects functions prior to the May 2016 budget amendment. At June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

City of Huxley

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.010742%	0.010134%
City's proportionate share of the net pension liability	\$ 531	402
City's covered employee payroll	\$ 1,029	996
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.60%	40.36%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Huxley

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 97	95	92	91	85	72	65	60	57	50
Contributions in relation to the statutorily required contribution	(97)	(95)	(92)	(91)	(85)	(72)	(65)	(60)	(57)	(50)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,062	1,029	996	1,050	1,052	1,036	977	945	942	870
Contributions as a percentage of covered-employee payroll	9.14%	9.23%	9.24%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

City of Huxley

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Huxley

Schedule I

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue			Total
	Road Use Tax	Trust and Agency	Low to Moderate Income	
Receipts:				
Intergovernmental	\$ 409,912	-	-	409,912
Miscellaneous	14,012	-	-	14,012
Total receipts	423,924	-	-	423,924
Disbursements:				
Operating:				
Public works	283,925	-	-	283,925
Community and economic development	-	-	12,488	12,488
Total disbursements	283,925	-	12,488	296,413
Excess (deficiency) of receipts over (under) disbursements	139,999	-	(12,488)	127,511
Other financing sources (uses):				
Transfers in	-	-	400,000	400,000
Transfers out	-	-	(470,000)	(470,000)
Total other financing sources (uses)	-	-	(70,000)	(70,000)
Change in cash balances	139,999	-	(82,488)	57,511
Cash balances beginning of year	438,728	319	92,353	531,400
Cash balances end of year	\$ 578,727	319	9,865	588,911
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 578,727	-	-	578,727
Other purposes	-	319	9,865	10,184
Total cash basis fund balances	\$ 578,727	319	9,865	588,911

See notes to financial statements.

City of Huxley

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Water improvement bond, Series 2003SRF	April 16, 2013	1.75%	\$ 500,000	210,000	-	27,000	183,000	3,675	-
Corporate purpose bonds, Series 2010C	June 9, 2010	4.30-4.85%	2,145,000	2,145,000	-	-	2,145,000	92,625	-
Refunding bonds, Series 2012A	February 29, 2012	1.20-3.60%	3,720,000	3,200,000	-	170,000	3,030,000	85,603	-
Vehicle acquisition note	April 30, 2015	3.25%	70,000	-	70,000	13,000	57,000	2,085	-
Emergency vehicle acquisitions note	February 25, 2016	3.40%	360,000	-	360,000	39,000	321,000	2,924	-
Refunding bonds, Series 2016	April 27, 2016	1.70-3.00%	3,315,000	-	3,315,000	-	3,315,000	-	-
Total				\$ 5,555,000	3,745,000	249,000	9,051,000	186,912	-
Annual Appropriation General Obligation Bonds and Notes:									
Corporate purpose bonds, Series 2009A	March 15, 2009	4.05-5.05%	\$ 5,800,000	4,785,000	-	390,000	4,395,000	222,307	-
Corporate purpose bonds, Series 2010D	June 30, 2010	3.80-5.15%	6,295,000	5,465,000	-	315,000	5,150,000	257,670	-
Refunding bonds, Series 2013A	April 30, 2013	1.75-3.00%	4,590,000	3,995,000	-	600,000	3,395,000	96,088	-
Total				\$14,245,000	-	1,305,000	12,940,000	576,065	-
Revenue Bonds:									
Sewer, Series 2009 SRF	August 26, 2009	3.00%	\$ 6,330,000	1,432,000	-	10,000	1,422,000	42,960	-
Water refunding bonds, Series 2013B	April 30, 2013	0.65-2.00%	985,000	775,000	-	105,000	670,000	12,248	-
Sewer refunding bonds, Series 2013C	April 30, 2013	0.85-2.60%	925,000	785,000	-	75,000	710,000	15,335	-
Total				\$ 2,992,000	-	190,000	2,802,000	70,543	-

See accompanying independent auditor's report.

City of Huxley
Bond and Note Maturities
June 30, 2016

Schedule 3

Year Ending June 30,	General Obligation Bonds and Notes																	
	Water Improvement Bond, Series 2003 SRF Issued April 16, 2003			Corporate Purpose Bonds, Series 2010C Issued June 9, 2010			Refunding Bonds, Series 2012A Issued February 29, 2012			Vehicle Acquisition Note Issued April 30, 2015			Emergency Vehicle Acquisitions Note Issued February 25, 2016			Refunding Bonds, Series 2016 Issued April 27, 2016		
	Interest		Amount	Interest		Amount	Interest		Amount	Interest		Amount	Interest		Amount	Interest		Amount
	Rates			Rates			Rates			Rates			Rates			Rates		
2017	1.75%	\$ 28,000	\$ 2,145,000	4.30%	\$ 2,145,000	1.45%	\$ 170,000	3.25%	\$ 13,500	3.40%	\$ 31,000	-	\$ -	-	-	-	-	
2018	1.75%	29,000	-	-	-	2.00%	175,000	3.25%	14,000	3.40%	32,000	-	-	-	-	-	-	
2019	1.75%	30,000	-	-	-	2.00%	175,000	3.25%	14,500	3.40%	33,000	2.00%	250,000	2.00%	250,000	2.00%	250,000	
2020	1.75%	31,000	-	-	-	2.00%	180,000	3.25%	15,000	3.40%	34,000	2.00%	255,000	2.00%	255,000	2.00%	255,000	
2021	1.75%	32,000	-	-	-	2.35%	185,000	-	-	3.40%	36,000	1.70%	265,000	2.50%	630,000	2.50%	630,000	
2022	1.75%	33,000	-	-	-	2.50%	190,000	-	-	3.40%	37,000	2.50%	265,000	2.50%	650,000	2.50%	650,000	
2023	-	-	-	-	-	2.60%	195,000	-	-	3.40%	38,000	2.50%	265,000	2.50%	650,000	2.50%	650,000	
2024	-	-	-	-	-	2.70%	200,000	-	-	3.40%	39,000	2.50%	265,000	2.50%	650,000	2.50%	650,000	
2025	-	-	-	-	-	2.85%	205,000	-	-	3.40%	41,000	2.75%	295,000	2.75%	675,000	2.75%	675,000	
2026	-	-	-	-	-	3.00%	210,000	-	-	-	-	3.00%	295,000	3.00%	715,000	3.00%	715,000	
2027	-	-	-	-	-	3.15%	215,000	-	-	-	-	-	-	-	-	-	-	
2028	-	-	-	-	-	3.25%	220,000	-	-	-	-	-	-	-	-	-	-	
2029	-	-	-	-	-	3.40%	230,000	-	-	-	-	-	-	-	-	-	-	
2030	-	-	-	-	-	3.50%	235,000	-	-	-	-	-	-	-	-	-	-	
2031	-	-	-	-	-	3.60%	245,000	-	-	-	-	-	-	-	-	-	-	
		<u>\$ 183,000</u>	<u>\$ 2,145,000</u>		<u>\$ 2,145,000</u>		<u>\$ 3,030,000</u>		<u>\$ 57,000</u>		<u>\$ 321,000</u>		<u>\$ 3,315,000</u>		<u>\$ 9,051,000</u>		<u>\$ 9,051,000</u>	

Year Ending June 30,	Annual Appropriation General Obligation Bonds and Notes													
	Corporate Purpose Bonds, Series 2009A			Corporate Purpose Bonds, Series 2010D			Refunding Bonds, Series 2013A			Revenue Bonds				
	Issued March 15, 2009			Issued June 30, 2010			Issued April 30, 2013			Sewer Refunding Bonds, Series 2013B		Sewer Refunding Bonds, Series 2013C		
	Interest Rates	Amount	Total	Interest Rates	Amount	Total	Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rates	Amount	Total
2017	4.20%	\$ 405,000	\$ 2,460,000	4.15%	\$ 1,445,000	\$ 2,460,000	3.00%	\$ 10,000	\$ 10,000	1.05%	\$ 110,000	0.85%	\$ 75,000	\$ 195,000
2018	4.30%	425,000	1,405,000	4.35%	360,000	1,405,000	3.00%	10,000	10,000	1.05%	110,000	0.85%	75,000	195,000
2019	4.50%	440,000	1,370,000	4.60%	385,000	1,370,000	3.00%	10,000	10,000	1.05%	110,000	1.45%	75,000	195,000
2020	4.60%	460,000	1,425,000	4.65%	415,000	1,425,000	3.00%	10,000	10,000	1.05%	110,000	1.45%	75,000	195,000
2021	4.70%	485,000	1,500,000	4.75%	440,000	1,500,000	3.00%	10,000	10,000	2.00%	115,000	1.45%	80,000	205,000
2022	4.80%	505,000	1,895,000	4.85%	495,000	1,895,000	3.00%	10,000	10,000	2.00%	115,000	2.10%	80,000	205,000
2023	4.90%	530,000	820,000	4.95%	290,000	820,000	3.00%	10,000	10,000	-	-	2.10%	80,000	90,000
2024	4.95%	560,000	855,000	5.00%	295,000	855,000	3.00%	10,000	10,000	-	-	2.10%	85,000	95,000
2025	5.05%	585,000	890,000	5.05%	305,000	890,000	3.00%	10,000	10,000	-	-	2.60%	85,000	95,000
2026	-	-	320,000	5.15%	320,000	320,000	3.00%	77,000	77,000	-	-	-	-	77,000
2027	-	-	-	-	-	-	3.00%	79,000	79,000	-	-	-	-	79,000
2028	-	-	-	-	-	-	3.00%	82,000	82,000	-	-	-	-	82,000
2029	-	-	-	-	-	-	3.00%	84,000	84,000	-	-	-	-	84,000
2030	-	-	-	-	-	-	3.00%	87,000	87,000	-	-	-	-	87,000
2031	-	-	-	-	-	-	3.00%	90,000	90,000	-	-	-	-	90,000
2032	-	-	-	-	-	-	3.00%	93,000	93,000	-	-	-	-	93,000
2033	-	-	-	-	-	-	3.00%	96,000	96,000	-	-	-	-	96,000
2034	-	-	-	-	-	-	3.00%	99,000	99,000	-	-	-	-	99,000
2035	-	-	-	-	-	-	3.00%	102,000	102,000	-	-	-	-	102,000
2036	-	-	-	-	-	-	3.00%	106,000	106,000	-	-	-	-	106,000
2037	-	-	-	-	-	-	3.00%	109,000	109,000	-	-	-	-	109,000
2038	-	-	-	-	-	-	3.00%	112,000	112,000	-	-	-	-	112,000
2039	-	-	-	-	-	-	3.00%	116,000	116,000	-	-	-	-	116,000
		<u>\$ 4,395,000</u>	<u>\$12,940,000</u>		<u>\$ 5,150,000</u>	<u>\$12,940,000</u>		<u>\$ 1,422,000</u>	<u>\$ 1,422,000</u>		<u>\$ 670,000</u>		<u>\$ 710,000</u>	<u>\$ 2,802,000</u>

See accompanying independent auditor's report.

City of Huxley

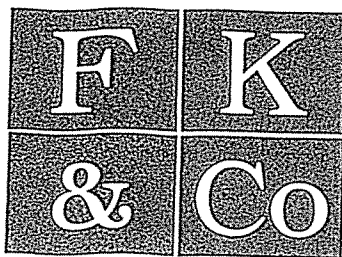
Schedule 4

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Receipts:										
Property tax	\$1,013,285	973,787	849,818	872,407	521,753	486,891	504,925	521,709	416,132	339,290
Tax increment financing	2,235,743	2,178,168	2,101,373	2,281,768	2,331,296	2,082,328	1,809,929	1,401,757	1,345,159	1,556,180
Other city tax	560,646	482,683	444,365	360,618	459,438	443,675	441,883	471,286	443,409	404,126
Licenses and permits	127,772	63,734	69,883	64,605	15,443	26,978	102,388	41,556	50,262	70,590
Use of money and property	68,747	61,117	72,324	32,903	80,887	169,911	120,538	121,394	150,843	216,214
Intergovernmental	849,685	774,051	727,657	582,409	1,534,637	841,870	390,224	516,318	621,149	448,215
Charges for service	255,184	227,647	135,162	165,466	214,352	206,270	182,824	132,806	158,820	194,608
Special assessments	1,911	-	-	-	-	-	-	-	-	-
Miscellaneous	220,565	292,774	218,786	314,658	646,236	2,104,352	501,787	282,877	172,928	837,137
Total	\$5,333,538	5,053,961	4,619,368	4,674,834	5,804,042	6,362,275	4,054,498	3,489,703	3,358,702	4,066,360
Disbursements:										
Operating:										
Public safety	\$ 800,306	635,966	543,729	545,376	552,613	502,356	490,676	465,675	482,646	389,463
Public works	367,662	335,673	377,883	304,851	300,472	310,234	273,784	296,437	297,981	376,101
Health and social services	13,888	12,680	11,250	12,147	19,605	13,925	6,444	9,178	4,725	6,212
Culture and recreation	524,999	484,236	451,366	459,964	496,862	546,736	522,903	555,495	504,748	439,898
Community and economic development	501,735	476,832	618,130	285,948	566,156	835,841	853,009	285,585	196,960	124,188
General government	358,872	335,770	372,346	472,638	360,225	324,630	331,736	328,393	317,211	468,144
Debt service	2,324,252	2,021,882	1,439,289	2,547,380	2,144,232	1,998,560	2,965,121	3,577,542	1,589,192	1,263,068
Capital projects	3,584,895	867,835	288,147	422,661	6,207,457	4,227,689	9,359,577	1,851,598	3,327,782	3,957,667
Total	\$8,476,609	5,170,874	4,102,140	5,050,965	10,647,622	8,759,971	14,803,250	7,369,903	6,721,245	7,024,741

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa (City) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (B), (C), (D), (F), (I) and (J) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (E), (G) and (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

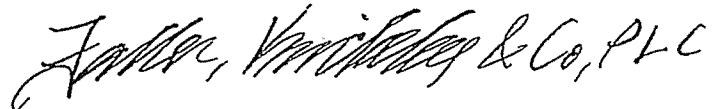
City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
December 7, 2016

City of Huxley

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although one full-time individual and one part-time individual are involved in the accounting duties of the City of Huxley, (City) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

- (B) Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including note disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirement.

Conclusion – Response acknowledged.

City of Huxley

Schedule of Findings

Year ended June 30, 2016

- (C) Bank Reconciliations - The reconciled bank balances did not agree with the general ledger or the Treasurer's report.

Recommendation - The bank reconciliation should be reconciled to the general ledger and the Treasurer's report on a monthly basis.

Response - We will implement the recommendation as suggested.

Conclusion - Response acknowledged.

- (D) Material Adjustments - During the audit, we identified a material transaction improperly posted to the Enterprise, Sewer Fund instead of the Debt Service Fund. In addition, investments held by Bankers Trust were not recorded on the accounting records. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation - The City should implement procedures to ensure all transactions are properly recorded on the accounting system.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

- (E) Receipts - Currently non-utility receipts are deposited to the bank approximately one time per week.

Recommendation - The City should implement procedures to ensure receipts are deposited to the bank on a timelier basis, preferably daily.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

- (F) Local Option Sales and Services Tax - The City imposed a local sales and services tax in the City with receipts to be allocated as follows: 80% for property tax relief, 8% for human services programs, 8% for general purposes and 4% for economic development. Documentation was not maintained to demonstrate the tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation - The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

City of Huxley

Schedule of Findings

Year ended June 30, 2016

- (G) Transfers - Transfers are posted to 391 and 392 in the fund balance section and do not get closed out at the end of each fiscal year.

Recommendation - We recommend that transfer accounts 391 and 392 be closed at the end of each fiscal year.

Response - We will implement the recommendation as suggested.

Conclusion - Response acknowledged.

- (H) Journal Entries - There is no formal approval for journal entries made directly to the computer.

Recommendation - We recommend that all journal entries to the records should be approved by a supervisor, and approval of these journal entries should be adequately documented.

Response - We will implement this journal entry process.

Conclusion - Response acknowledged.

- (I) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing.

Response - These procedures will be implemented as recommended.

Conclusion - Response acknowledged.

- (J) Ambulance Billings - A private contractor provides billing and collection services for the ambulance department. However, the City does not receive any documentation from the private contractor documenting a reconciliation of ambulance department billings, collections and delinquencies.

Recommendation - The City should obtain or prepare a monthly report which reconciles ambulance department billings, collections and delinquencies.

Response - The staff will work with the ambulance department to obtain the necessary reports and reconciliation.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Huxley

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and capital projects functions prior to the May 2016 budget amendment. At June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition, the City did not budget for the cash balances on the amended budget.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the City should budget for the cash balances on the budget.

Response – The budget will be amended before disbursements are allowed to exceed the budget, and the cash balances will be budgeted for in the future.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
IPERS	Interest	\$ 214

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will review this issue.

Conclusion – Response acknowledged.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) City Council Minutes – A transaction was found that we believe should have been approved in the Council minutes but was not. One claim noted was not approved by the City Council. All claims are required to be approved by the City Council in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should implement procedures to ensure that all claims paid are approved by the City Council.

City of Huxley
Schedule of Findings
Year ended June 30, 2016

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

- (7) Deposits and Investments – The City’s depository resolution did not include one depository, and the deposit amount at another bank exceeded the amount insured by federal depository insurance or by the State Sinking Fund. In addition, the Enterprise, Sewer Fund and the Enterprise, Water Fund did not receive bank interest, as required by Chapter 12C.9 of the Code of Iowa.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

Recommendation – The City should implement procedures to ensure all monies in the bank are insured by federal depository insurance or by the State Sinking Fund as required by Chapter 12C of the Code of Iowa. In addition, the Enterprise, Water Fund and the Enterprise, Sewer Fund should receive bank interest, as required by the Code of Iowa.

Response – The above issues were an oversight on our part. We will implement the above recommendations.

Conclusion – Response acknowledged.

- (8) Revenue Bonds - The following instances of non-compliance with the water and sewer revenue bond resolutions were noted:

- The water revenue bond resolutions require all users of the system, including the City, be charged for usage. An instance was noted where a user of the system was not charged for water service.
- The sewer revenue bond resolutions require the City to make sufficient monthly transfers to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City did not adequately fund the sewer revenue bond sinking account each month as required.
- The City did not establish reserve accounts of \$90,565 and \$98,500 as required in the Enterprise, Sewer Fund and the Enterprise, Water Fund, respectively.

Recommendation – The City should ensure all users pay for water usage, make adequate transfers to the sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due, and establish and properly fund the reserve accounts as required.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

City of Huxley

Schedule of Findings

Year ended June 30, 2016

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation

Conclusion – Response acknowledged.

- (11) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following regarding the City's TIF debt certifications to the County Auditor:

- The certifications included rebate amounts which could not be supported by the City's records.
- The certifications understated debt amounts expected to be repaid with TIF funds. Total amount under certified was in excess of \$2,000,000.

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

- (12) Tax Increment Financing Fund Disbursements – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

During the year ended June 30, 2016, the City paid \$25,056 of claims from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

City of Huxley

Schedule of Findings

Year ended June 30, 2016

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for these costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – We will consult with legal counsel in relation to this.

Conclusion – Response acknowledged.

- (13) Low to Moderate Income – The City entered into urban renewal development agreements for the construction of housing units. In accordance with the agreements and Chapter 403.22 of the Code of Iowa, any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance to housing for low and moderate (LMI) income families. The City's agreements provide for a predetermined set aside percentage for LMI.

We noted that it appears the City spent over \$81,000 in LMI funds on unallowable activities.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter, and in the future the City should ensure all disbursements from the LMI fund are spent on allowable activities.

Response – We will consult with legal counsel in relation to this.

Conclusion – Response acknowledged.

- (14) Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's TIF receipts, disbursements and the beginning and ending cash balances of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's records.

The beginning and ending debt balances as reported on the AURR do not agree to the City's records. For example, instances were noted where the AURR included debt that is not repayable from TIF funds, and other instances were noted where obligations expected to be paid from TIF funds were not included on the AURR.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.